

RESEARCH

NATIONAL DELINQUENCY SURVEY

FOURTH QUARTER 2008, DATA AS OF December 31, 2008

SPECIAL SUMMARY EDITION

Delinquencies Continue to Climb in Latest MBA National Delinquency Survey

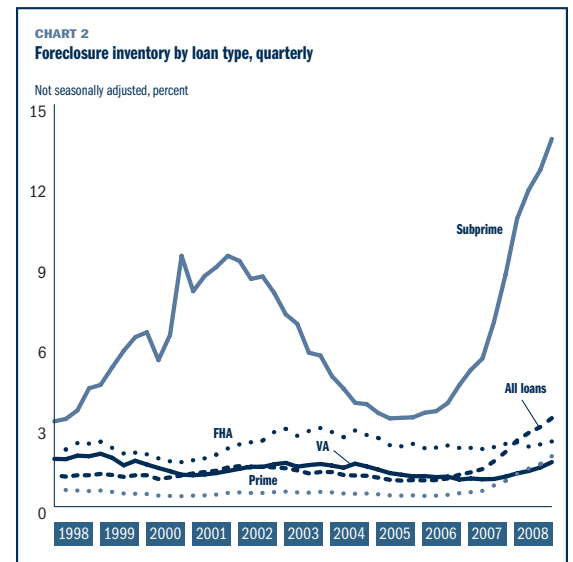
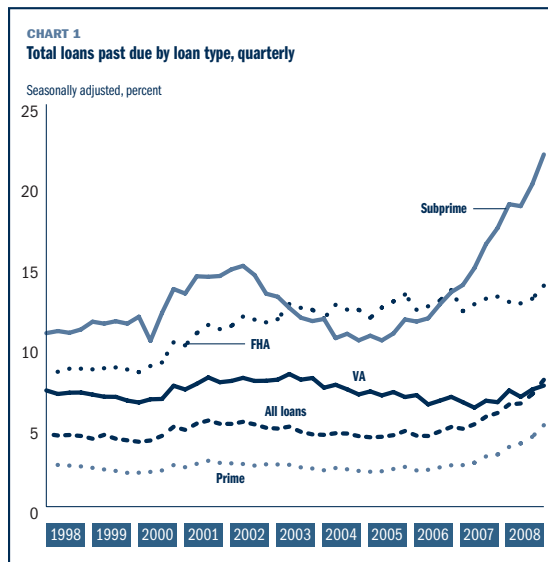
Job Losses Remain a Driving Factor

The delinquency rate for mortgage loans on one- to-four-unit residential properties rose to a seasonally adjusted rate of 7.88 percent of all loans outstanding as of the end of the fourth quarter of 2008, up 89 basis points from the third quarter of 2008, and up 206 basis points from one year ago, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey.

Top Line Results

The delinquency rate breaks the record set last quarter and the quarter-to-quarter jump is the also the largest. The records are based on MBA data dating back to 1972.

The delinquency rate includes loans that are at least one payment past due but does not include loans somewhere in the process of foreclosure. The percentage of loans in the foreclosure process at the end of the fourth quarter was 3.30 percent, an increase of 33 basis points from the third quarter of 2008 and 126 basis points from one year ago. The combined percent of loans in foreclosure and at least one payment past due was 11.18 percent on a seasonally adjusted basis and 11.93 percent on a non-seasonally adjusted basis. Both of these numbers are the highest ever recorded in the MBA delinquency survey.



The percentage of loans on which foreclosure actions were started during the fourth quarter was 1.08 percent, up one basis point from last quarter and up 20 basis points from one year ago.

The percentages of loans 60 days past due, loans 90 days or more past due and loans in foreclosure all set new record highs, breaking records set last quarter. The percentage of loans on which foreclosure actions were started tied the record set in the first quarter of 2008. The percentage of loans 30 days past due is still well below the record set in the first quarter of 1985.

Increase in Delinquencies Show Spreading Impact of Recession

“Foreclosure inventory jumped sharply in the fourth quarter even though the rate at which loans were entering foreclosure remained unchanged,” said Jay Brinkmann, MBA’s Chief Economist and Senior Vice President for Research and Economics. “This is mainly attributable to various state and local moratoria on foreclosure sales, the Fannie Mae and Freddie Mac halt on foreclosure sales announced in late November, a general reluctance by servicers to proceed with evictions in the last few weeks of December and a slowing down caused by an overburdened legal process in some areas.”

“The rate of new foreclosures has remained essentially flat for the last three quarters of 2008. This might be seen as a good sign for mortgage performance, but most other measures point to exactly the opposite conclusion. The percentage of loans 90 days or more past due jumped sharply in the fourth quarter. Normally servicers would have initiated foreclosure actions on a significant portion of these loans but delayed doing so for a variety of reasons, including working on loan modifications, complying with the guidelines of different investors and various delays in different locales. In addition, some servicers report a spate of borrowers running their accounts 90 days delinquent in order to qualify for certain modifications,” Brinkmann said.

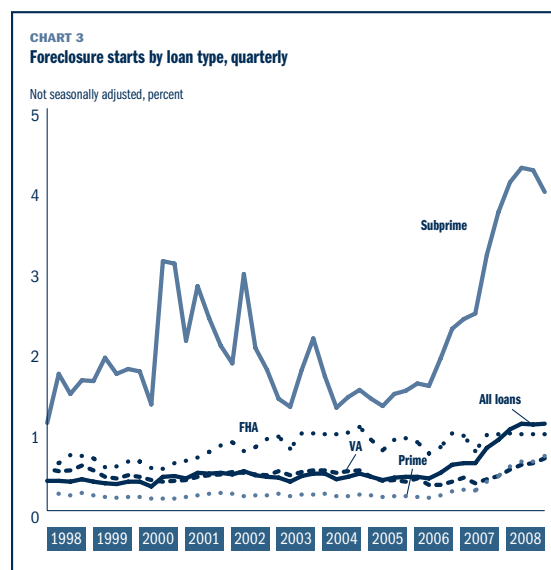
“Subprime ARM loans and prime ARM loans, which include Alt-A and pay option ARMs, continue to dominate the delinquency numbers. Nationwide, 48 percent of subprime ARMs were at least one payment past due and in Florida over 60 percent of subprime ARMs were at least one payment past due.

“We will continue to see, however, a shift away from delinquencies tied to the structure and underwriting quality of loans to mortgage delinquencies caused by job and income losses. For example, the 30-day delinquency rate for subprime ARMs continues to fall and is at its lowest point since the first quarter of 2007. Absent a sudden increase in short-term rates, this trend should continue because the last 2–28

subprime ARMs (fixed payment for two years and adjustable for the next 28 years) were written in the first half of 2007. The problem with initial resets is largely behind us, although the impact of the resets was generally overstated.

“The delinquency rates continue to climb across the board for prime fixed-rate and subprime fixed-rate loans, loans whose performance is driven by the loss of jobs or income rather than changes in payments,” Brinkmann said.

“While California, Florida, Nevada, Arizona and Michigan continue to dominate the delinquency numbers, some of the sharpest increases we saw last quarter in loans 90 days or more delinquent were in Louisiana, New York, Georgia, Texas and Mississippi, signs of the spreading impact of the recession,” Brinkmann said.



Change from last quarter (third quarter of 2008)

The seasonally adjusted delinquency rate increased 72 basis points to 5.06 percent for prime loans, increased 185 basis points to 21.88 percent for subprime loans, increased 81 basis points to 13.73 percent for FHA loans, and increased 24 basis points to 7.52 percent for VA loans.

The percent of loans in the foreclosure process increased 30 basis points to 1.88 percent for prime loans, and increased 116 basis points for subprime loans to 13.71 percent. FHA loans saw an 11 basis point increase in the foreclosure inventory rate to 2.43 percent, while the foreclosure inventory rate for VA loans increased 20 basis points to 1.66 percent.

The non-seasonally adjusted foreclosure starts rate increased seven basis points to 0.68 percent for prime loans and decreased 27 basis points for subprime loans to 3.96 percent. The rate was unchanged for FHA loans at 0.95 percent and

increased six basis points for VA loans to 0.65 percent.

The seriously delinquent rate, the non-seasonally adjusted percentage of loans that are 90 days or more delinquent, or in the process of foreclosure, was up from both last quarter and from last year. This measure is designed to account for inter-company differences on when a loan enters the foreclosure process.

Compared with last quarter, the seriously delinquent rate increased for all loan types. The rate increased 87 basis points for prime loans to 3.74 percent, increased 355 basis points for subprime loans to 23.11 percent, increased 93 basis points for FHA loans to 6.98 percent, and increased 67 basis points for VA loans percent to 4.12 percent.

Change from last year (fourth quarter of 2007)

On a year-over-year basis, the seasonally adjusted delinquency rate increased for all loan types.

The delinquency rate increased 182 basis points for prime loans, increased 457 basis points for subprime loans, increased 68 basis points for FHA loans, and increased 103 basis points for VA loans.

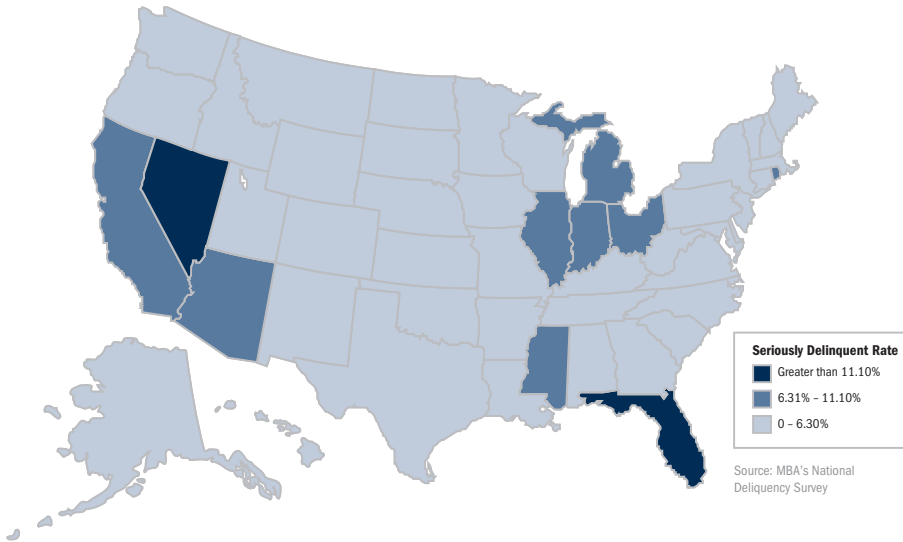
The percent of loans in the foreclosure process increased 92 basis points for prime loans and 506 basis points for subprime loans. The rate increased nine basis points for FHA loans and 54 basis points for VA loans.

The non-seasonally adjusted foreclosure starts rate increased 25 basis points for prime loans, 25 basis points for subprime loans, and 22 basis points for VA loans. It was unchanged for FHA loans.

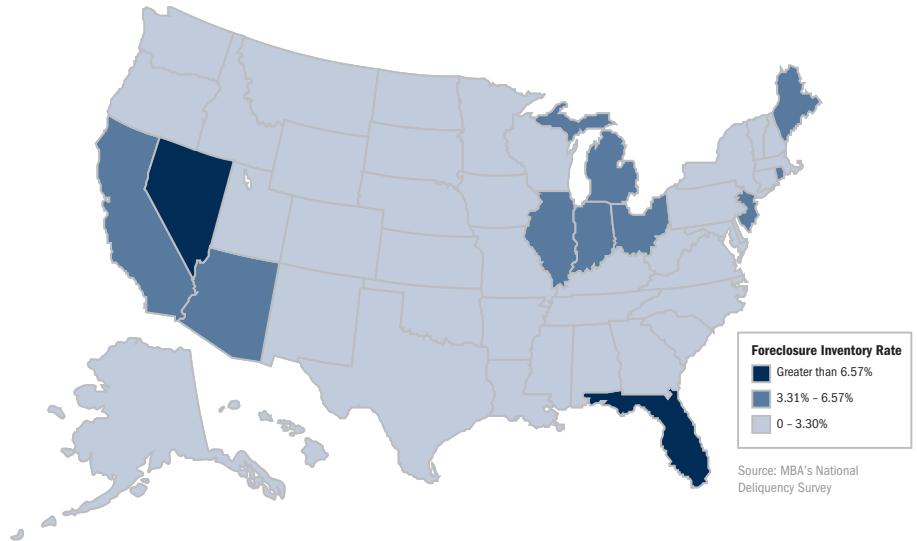
The seriously delinquent rate was 207 basis points higher for prime loans and 867 basis points higher for subprime loans. The rate also increased 98 basis points for FHA loans and 129 basis points for VA loans.

State, area and census region	Number of loans serviced	All loans						
		Percent of loans with installments past due				Percent of loans in foreclosure		
		Total past due	30 days	60 days	90 days or more	Inventory at end of quarter	Started during quarter	Seriously Delinquent (90+ FC Inv)
Connecticut	538,499	7.27	3.60	1.58	2.09	2.38	0.81	4.47
Maine	142,447	7.70	3.90	1.64	2.16	3.49	0.89	5.65
Massachusetts	834,467	7.91	3.43	1.48	3.00	2.26	0.63	5.26
New Hampshire	196,410	7.24	3.66	1.56	2.02	1.81	0.82	3.83
Rhode Island	140,435	8.75	4.04	1.89	2.82	3.49	1.33	6.31
Vermont	62,242	5.30	2.90	1.07	1.32	1.86	0.58	3.18
New England	1,914,500	7.62	3.57	1.55	2.51	2.41	0.77	4.92
New Jersey	1,275,314	7.68	3.69	1.62	2.38	3.58	0.96	5.96
New York	2,056,219	7.58	3.61	1.48	2.49	2.61	0.42	5.10
Pennsylvania	1,561,961	8.32	4.17	1.70	2.45	2.17	0.63	4.62
Mid Atlantic	4,893,494	7.85	3.81	1.59	2.45	2.72	0.63	5.17
Illinois	1,768,301	8.39	3.86	1.78	2.76	3.87	1.07	6.63
Indiana	860,656	10.59	4.93	2.10	3.55	3.76	1.16	7.31
Michigan	1,477,061	11.08	4.79	2.27	4.01	3.70	1.24	7.71
Ohio	1,510,076	9.49	4.44	1.87	3.18	4.09	1.12	7.27
Wisconsin	635,881	6.41	2.98	1.32	2.11	2.82	0.88	4.93
East North Central	6,251,975	9.39	4.28	1.92	3.20	3.76	1.12	6.96
Iowa	358,425	6.30	3.12	1.30	1.88	2.17	0.64	4.05
Kansas	332,793	6.82	3.45	1.37	2.00	1.75	0.65	3.75
Minnesota	906,401	6.00	2.86	1.25	1.89	2.95	0.98	4.84
Missouri	884,349	8.43	4.06	1.73	2.64	1.66	0.79	4.30
Nebraska	208,480	6.00	3.02	1.23	1.74	1.64	0.66	3.38
North Dakota	59,347	3.56	2.02	0.71	0.82	0.85	0.30	1.67
South Dakota	81,936	3.97	2.07	0.82	1.08	1.33	0.44	2.41
West North Central	2,831,731	6.78	3.31	1.39	2.08	2.12	0.78	4.20
Delaware	171,784	7.80	4.32	1.44	2.04	2.39	0.72	4.43
District of Columbia	95,503	6.55	3.04	1.36	2.15	2.23	0.96	4.38
Florida	3,578,935	11.09	4.33	2.40	4.37	8.95	2.36	13.32
Georgia	1,680,184	10.73	5.04	2.25	3.44	2.54	1.18	5.98
Maryland	1,075,005	8.48	3.83	1.76	2.88	2.64	1.03	5.52
North Carolina	1,418,192	8.43	4.24	1.73	2.46	1.31	0.49	3.77
South Carolina	669,293	8.64	4.45	1.77	2.42	2.28	0.89	4.70
Virginia	1,423,984	6.61	3.13	1.38	2.10	1.73	0.78	3.83
West Virginia	134,609	9.40	5.03	1.93	2.45	1.86	0.77	4.31
South Atlantic	10,247,489	9.49	4.22	2.00	3.27	4.47	1.39	7.74
Alabama	602,657	9.69	4.89	1.95	2.86	1.66	0.83	4.52
Kentucky	440,504	8.35	4.19	1.70	2.46	2.61	0.83	5.07
Mississippi	252,638	13.11	6.33	2.53	4.24	2.30	1.02	6.54
Tennessee	865,217	9.92	4.77	1.99	3.16	1.77	0.88	4.93
East South Central	2,161,016	9.91	4.87	1.98	3.06	1.97	0.87	5.03
Arkansas	312,382	8.22	4.21	1.59	2.41	1.49	0.69	3.90
Louisiana	473,833	10.13	4.79	1.92	3.42	2.10	0.57	5.52
Oklahoma	427,987	7.59	3.92	1.54	2.13	2.13	0.69	4.26
Texas	3,120,383	9.01	4.38	1.86	2.78	1.50	0.64	4.28
West South Central	4,334,585	8.94	4.37	1.82	2.76	1.63	0.64	4.39
Arizona	1,210,993	9.46	3.80	2.14	3.52	4.64	2.07	8.16
Colorado	1,017,256	5.61	2.63	1.17	1.80	2.16	0.82	3.96
Idaho	265,935	6.17	3.13	1.31	1.74	2.06	0.84	3.80
Montana	136,213	4.27	2.29	0.93	1.05	0.97	0.46	2.02
Nevada	566,795	11.12	4.04	2.45	4.62	6.58	2.65	11.20
New Mexico	257,608	6.40	3.36	1.29	1.75	1.82	0.70	3.57
Utah	440,841	6.06	3.02	1.31	1.73	1.79	0.84	3.52
Wyoming	69,644	4.09	2.25	0.83	1.00	0.72	0.36	1.72
Mountain	3,965,285	7.64	3.29	1.67	2.67	3.41	1.44	6.08
Alaska	93,413	3.81	2.19	0.80	0.82	0.90	0.33	1.72
California	5,893,014	9.13	3.20	1.84	4.09	4.19	1.36	8.28
Hawaii	169,782	5.29	2.38	1.16	1.75	2.28	0.88	4.03
Oregon	641,372	5.10	2.47	1.13	1.49	1.68	0.77	3.17
Washington	1,203,680	5.10	2.48	1.09	1.53	1.48	0.66	3.01
Pacific	8,001,261	8.06	3.00	1.64	3.41	3.51	1.18	6.92
Puerto Rico	37,608	11.72	5.48	2.21	4.03	2.76	0.85	6.79
Northeast	6,807,994	7.78	3.74	1.58	2.47	2.63	0.67	5.10
North Central	9,083,706	8.58	3.98	1.75	2.85	3.25	1.01	6.10
South	16,743,090	9.40	4.34	1.95	3.11	3.42	1.13	6.53
West	11,966,546	7.92	3.10	1.65	3.16	3.48	1.27	6.64
United States	45,396,181	8.63	3.85	1.78	3.00	3.30	1.08	6.30
Northeast (SA)	6,807,994	7.10	3.37	1.42	2.32	—	0.63	—
North Central (SA)	9,083,706	7.86	3.62	1.58	2.66	—	0.96	—
South	16,743,090	8.53	4.00	1.72	2.81	—	1.04	—
West (SA)	11,966,546	7.27	2.81	1.51	2.95	—	1.21	—
United States (SA)	45,396,181	7.88	3.53	1.60	2.75	—	1.01	—

MAP 1: Seriously Delinquent Rate by State for Q4, 2008



MAP 2: Foreclosure Inventory Rate by State for Q4, 2008



MAP 3: Foreclosure Starts Rate by State for Q4, 2008

